

X5 Among Suitors for Siberian Chain

By [The Moscow Times](#)

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X5 Retail Group, Russia's biggest food retailer by sales, said Tuesday that it had filed a request to the competition office for permission to buy privately owned Siberian chain Holiday Classic.

"It is too early to talk about how talks are progressing, it is a lengthy process which may lead to nothing if the terms do not suit us," Mikhail Susov, X5's corporate relations director, said. He declined to provide further details.

Oleg Tsarkov at Russian Retail Growth Fund, which, according to Kommersant, owns about 17 percent of Holiday Classic with businessman Alexander Mamut, confirmed talks with X5.

"The talks are being held and not only with X5. No binding documents have been signed," Tsarkov said.

Holiday Classic, which has more than 219 stores, generated about 26 billion rubles (\$878 million) in 2010 sales.

Kommersant wrote Tuesday that X5 was seeking permission to buy 100 percent of the retailer, citing a source at X5.

"On our estimates, Holiday Classic should be valued at \$400 million to \$500 million ... the cost of the proposed acquisition is unlikely to be merely an addition to X5's ambitious 45 billion ruble 2012 capex program, but rather should be part of it," said Mikhail Terentiyev, an analyst at Otkritie.

Analysts said they expected a mixed reaction by the market, given X5's recent underperformance. It posted a sharp slowdown in first-quarter sales growth last week, missing forecasts, as sales at stores open at least a year dropped 3.9 percent after a 2 percent fall in the previous quarter.

"If the deal goes through, it may help X5 more easily achieve its ... growth targets and secure market share leadership in Siberia. At the same time, continued deal-making is likely to place further strain upon X5 management, which is struggling to get the company back on track," Terentiyev said.

X5, which is just under 50 percent owned by Mikhail Fridman's Alfa Group, had said it would increase capital spending by 67 percent in 2012, while predicting a slowdown in sales growth to 15 percent to 20 percent from 32 percent in 2011.

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